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ALTERNATIVE FINANCIAL NETWORKS: THE VILLAGE SAVINGS AND CREDIT ASSOCIATIONS (VISACAs) IN THE GAMBIA

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I. A BRIEF HISTORY OF THE VISACAs IN THE GAMBIA

1. Introduction

Village Savings and Credit Associations (VISACAs) were launched four years ago in 1988 as a pilot project in The Gambia. The primary objective of these village banks is to collect local savings and make loans to individual villagers or groups. A total of six VISACAs function currently in villages in the Sapu area, located in the McCarthy Island South Division (MID-South), about 350 kms East of Banjul, the capital city of The Gambia. The first VISACAs were created in 1988 as a pilot project with the Gambian Ministry of Agriculture and managed by Centre International de Développement et de Recherche (CIDR) a French NGO (Non governmental organization), in cooperation with Kreditanstalt fur Wiederaufbau (KFW) of Germany and the Jahally-Pacharr Rice Project.

The Jahally-Pacharr small holders rice project of the Sapu area was originally launched in 1984 through support from IFAD, the ADB and the governments of Holland and West Germany. The project was designed to improve rice yields in the region. With irrigation, up to two rice harvests are possible in a year. Income from the sale of rice was expected to provide farmers with surplus liquidity and a continuous flow of income from which the VISACAs would be able to mobilize their savings. According to one of the Jahally-Pacharr project managers, the Sapu area produces 30 percent of all the rice consumed in The Gambia and accounts for 80 percent of all domestic rice production in the country. The population of the Sapu area is a good representative sample of the major ethnic groups present in The Gambia with 32.5 percent Fula, 32.5 percent Mandinka, 18 percent Saraholé and 17 percent Wolof.

The distance from Jahally to Pacharr is 15 kms. This area comprises 73 villages. Most villages are members of the rice irrigation project and enjoy ample access to pump-irrigated fields.

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Within the Jahally-Pacharr area, six villages were chosen to participate in the VISACA program. They are: Ahallulie (Wolof village), Sare Ngai (Fula village), Tabanani and Wellingara (Mandinka villages), Jahally and Madina (Saraholé villages). Four of the VISACA villages are members of the rice project. One village (Ahallulie) recently pulled out of the Jahally-Pacharr program because of the difficulties of maintaining their rice fields from such a long distance. An additional VISACA village (Tabanani) is currently waiting to be included in the rice project (after wells are dug to irrigate their fields). Besides rice cultivation, farmers in Jahally-Pacharr also grow groundnuts, millet, sorghum and raise livestock. Rice cultivation was traditionally a women's activity in The Gambia. But with the advent of the Jahally-Pacharr project, men have become actively involved in rice growing because of its potentially promising source of substantial revenues. A few NGOs that are present in the Sapu area are also helping women to set up vegetable gardens as a means to diversify their crops and income generating sources.

2. Internal Regulations of the VISACAs

Internal regulations of VISACAs are discussed and established at a general assembly of all villagers. The villagers decide upon membership conditions, interest rates for deposits and loans, and management procedures and practices. Membership consists of both individuals as well as kafo groups. Furthermore, members of kafo groups can and frequently do have individual accounts as well. Each VISACA has a management committee whose responsibilities consist of: (1) keeping members informed of VISACA activities; (2) expanding membership; (3) encouraging members to open savings accounts; and (4) evaluating and granting loans. Each management committee is composed of six to ten people, with an equal number of men and women chosen by all villagers during the preliminary meetings. Two to three cashiers are also selected to carry out bookkeeping responsibilities. Cashiers receive a small financial compensation for their services from the interest income generated by their VISACA. Committee members, on the other hand, are volunteers and do not receive any salary. All committee members and cashiers receive some initial numeracy training offered by the CIDR. The accounting practices used in the VISACAs have been kept simple during this initial phase. However, they will progressively incorporate some conventional double bookkeeping entries in the future.

Membership fees have been sufficiently low (10 and 20 dalasis) to allow everyone the opportunity to become a member. Membership is required to make deposits and/or receive loans. Some VISACAs require their members to make a one-time deposit of any amount in order to become eligible for future loans.[1] In general, VISACAs do not try to match the deposits of a particular person with his/her loan request. Instead they try to match the term structures of assets and liabilities of the VISACA as a whole. Loans are made out of the three types of savings instruments, i.e. three, six, and nine months "term deposit" accounts. Twelve-months deposit accounts exist but have not received too much attention from VISACA members. Non interest

[1] It is interesting to note that CIDR did not ask the villagers to tie savings behavior to credit. However, on their own initiative the village VISACAs (4 out of 6) implemented the requirements of some prior savings before receiving a loan. The CIDR wisely did not interfere.

bearing current account deposits (i.e. demand deposits) are also available but are not used for loan purposes, i.e. the VISACAs hold 100 percent reserves on demand deposits.

Annual interest rates are set through discussions at open meetings including all villagers. It is interesting to note that these villagers after discussion voted to set relatively high positive real rates of interest. Four VISACAs set annual deposit rates at 20 percent and loan rates at 40 percent. Two VISACAs established 40 percent annual deposit rates and 60 percent annual loan rates. Thus, the gross intermediation margin reaches 20 percent between deposit and loan rates in all VISACAs. This just happens to be the same margin recorded by commercial banks in The Gambia, though banks achieve this with lower deposit and loan rates. These high positive real rates of interest allow the VISACAs to effectively compensate for inflation (currently 10 percent) and to generate interest earnings to cover incidental expenses and, most importantly, create a growing surplus to service new loans. Initial Capital is made up of membership fees which are quite low and would not offer at present adequate collateral to external partners such as commercial banks. These rates are set on an annual basis so that a 6 month loan would pay 20 percent interest at a 40 percent annual rate and a six month deposit would earn 10 percent interest at a 20 percent annual rate.

3. VISACAs and Credit Unions: Operational Philosophies Compared

In many respects VISACAs are similar to the generalized model of Credit Unions (CUs). Nevertheless there are some operational differences that need to be pointed out. Credit Unions are organized under rules and regulations that are fairly uniform wherever they exist. The member's share contribution in a CU is crucial in determining eligibility and size of loan. Credit union members have a right to a loan equivalent to a multiple of their share (frequently two to one). At times deposit accounts in some CUs are used (in addition to shares) as the basis to establish the loan multiple. In this case the deposit account is blocked during the life of the loan. These loan to share multiples for individual loans are not part of the VISACA's loan practices. The VISACAs do not have any explicit loan size criterion for individual borrowers based on shares or deposits. However, it is clear that they try to balance the term maturity of their volume of deposits to the same maturity (or less) for a comparable volume of loans. Thus, a volume of three months loans (or less) is matched (i.e. supported) by a comparable volume of three months deposits, six months loans with six months deposits, etc. Hence the VISACAs engage in an institution-wide term matching of assets and liabilities instead of an individual client criterion between loan and savings. Also non-members can own a deposit account in a CU in contrast to a VISACA where only members can hold deposits. Finally, current accounts (i.e. demand deposits) do not exist in CUs as they do in VISACAs.

The sharpest difference between VISACAs and CUs pertains to interest rate policy. As pointed out earlier, VISACAs currently charge annualized short term loan rates of 40 or 60 percent. Credit unions, on the other hand, generally charge a 12 percent annual interest rate on loans and usually require installment payments of principal plus one percent interest each month. VISACAs only expect payment at the end of the loan term. However it should be pointed out that the effective interest rate on CU loans turns out to be much higher than the stated 12 percent annual rate since the deposited share is in practice rarely withdrawable, hence it represents an additional cost (above and

beyond the 12 percent annual interest rate) to secure a loan. This adjustment notwithstanding, VISACA loan and deposit rates are much higher than those normally found with credit unions.

Another pertinent difference lies in the much broader role for non-member villagers to influence interest rates and other loan and deposit terms and conditions in the VISACAs in open village assemblies. Credit Unions, in contrast, restrict these decisions to their membership. The more open village approach creates local legitimacy and acts as a member recruitment vehicle. This is no doubt feasible in the relatively small sized villages in which the VISACAs currently operate. It would likely be less feasible in larger villages or towns.

There is also usually a formal limit on the size of a single loan in a credit union whereas this is not explicit in a VISACA, although it would appear that an implicit threshold is recognized. Double entry bookkeeping is the standard in all CUs (though sometimes imperfectly administered) whereas more rudimentary single entry procedures are currently practiced in the VISACAs. Any realized net earnings in CUs are given to shareholders as dividends or paid out as patronage refunds to borrowers. In VISACAs net interest earnings are used for further loan activity. In VISACAs, net interest earnings are used for further loan activity and mainly for strengthening of VISACA reserve/capital. Finally, kafo groups as well as individuals can be members in VISACAs while individual membership alone characterizes credit union membership.

II. MEMBERSHIP GROWTH

The first VISACAs opened in October 1988 were Jahally and Sare Ngai. Three more VISACAs, Ahallulie, Wellingara and Madina were launched one year later in 1989. Tabanani was the final VISACA founded in February 1991. Some VISACAs accept members residing in neighboring villages. As of December 1991, a total of 1305 villagers and kafo groups were members of the six VISACAs of the Sapu area, with 676 women, 574 men and 55 kafo groups (Table 1.) according to the VISACAs membership files.

Kafos are groups of individuals that have common interests and organize for diverse reasons. Originally, kafos were an intrinsic part of every Gambian village and were the symbol of social cohesion as well as solidarity as every villager automatically belonged to a men's or women's kafo. They have been gender specific and involved mainly in community activities (digging public wells, helping neighbors in the fields, building or repairing houses, cleaning up village streets, etc.). A number of kafos originally also engaged in credit activities. Today, kafos vary widely in size and nature (e.g. soccer club kafos, political party kafos, gardening kafos, NGO kafos, etc.). Some kafo groups have even crossed the gender line and have male as well as female members (e.g. VISACA committee kafos, health center kafos, etc.).

By March 1992, the total membership of the six VISACAs had reached 1384 villagers and groups with 52 percent women, 44 percent men and 4 percent kafos. Of the 56 kafos in the six VISACAs, the majority (21 kafos) were found in just one village while the other five VISACAs had

an average of seven kafos. The VISACAs as a group recorded a growth in membership in 1989 roughly 2.6 times their 1988 membership. In large part this was due to more villages joining the first two VISACAs bringing in 223 new members (Table 2.). The original two villages increased their own membership by 87 members. Growth was lower in 1990 (57.6 percent), the year no new VISACA was launched. However, in 1991, with the addition of Tabanani, the most recently created VISACA, total membership increased 65 percent from 1990. Another 6 percent increase was recorded within the first three months of operation in 1992.

Table 1. and Figure 1 show the growth trend of the membership in VISACAs from their creation in 1988 up to March 1992. The growth multiple ratio in column 6 of Table 2 obtained by dividing the cumulative total membership as of March 1992 by the total membership recorded back in December 1989 gives a better insight into the pattern of growth that might be anticipated in the future for all VISACAs. For the five VISACAs then in operation, a total growth multiple of 2.8 suggests that for the two year and three months to come, VISACAs will at best triple their original membership if they are to emulate their past growth. It is evident that any particular VISACA realizes much of its membership growth in the very first year of its creation, capturing up to 30 percent or more of the total economically active adult population in their village. The total membership recorded by the VISACAs as of December 1991, shows that up to 52 percent of the villagers are members in some VISACAs and, on average, one-third of the villagers in all the six villages are VISACA members (Table 3). If we bear in mind that 30 to 40 percent of the total population consists of minors, then (taking a 35 percent average for the non-active population) VISACA membership accounts for 45 percent of the adult economically active age group.

Women have shown a strong participation in the VISACAs. By March 1992, women represented 51 percent of the total membership of all six VISACAs. They recorded a membership growth of 72 percent from 1990 to 1991 compared to a male membership increase of 59 percent over the same period for all six VISACAs (Table 4). Women form the majority in the two Saraholé villages (60 percent and 59 percent respectively). However, they represented only 19 percent of the Fula village's membership. We do not have any unique evidence to explain the reasons behind the relative predominance of women in the two Saraholé villages where curiously most men are involved in trading and therefore, one would expect these men to use the VISACA loan services to meet their cash flow. In the Fula village, the unusually low participation from women (19 percent) reflects the overall low village population, i.e., only a small percentage of the village (16 percent) are VISACA members. Table 4 and Figure 2 also highlight the relative growth by gender from December 1989 to March 1992. Overall the growth multiples indicate that both men and women members increased almost three fold (2.8 and 2.9 respectively) over this period of two years and three months. However female membership grew much more rapidly in only two VISACAs. Male membership grow more rapidly than female membership in two other VISACAs. The data in Table 2 also shows that Ahallulie and Madina are the rapid growth VISACAs overall while the remaining three are the slow growth associations.

III. VISACA SAVINGS AND CREDIT FLOWS

1. Savings Flows

A. Membership Participation and Savings Accumulation Through Time

The VISACAs started collecting deposits in 1988 and by December 1991, members with three, six and nine month savings accounts represented 47.4 percent of the total membership (Table 5). The most popular savings instrument among the membership is the six months term deposit. Twenty three percent of the membership held these accounts. On the other hand, current accounts (demand deposits) recorded a relatively low 6 percent membership participation (Table 5). This low percentage of current accounts held by members is no doubt a reflection of the low demand for an account that pays no interest and is only accessible once a week (i.e. VISACAs are only open for one day a week, hence current account deposits can only be withdrawn once a week).

By December 1991, a total of 399,693 dalasis had been mobilized cumulatively from their inception by all six VISACAs in 698 demand deposits and savings accounts (see Table 6). At an average exchange rate of 1.00 dollar = 8 dalasis (the dollar exchange rate went from 6.50 dalasis in 1988 to 9.00 dalasis in 1992), this amounts to a savings inflow of $49,961.6 dollars. Deposits in all accounts range from 10 dalasis to a maximum of 7,000 dalasis. The relative importance of the four principal deposit accounts varies by VISACA and, as can be seen in Table 7, three month term deposits were the most popular deposit instrument in Village 1 (Wolof) and Village 2 (Mandinka) (63.6 and 43.2 percent respectively). Members preferred six month term deposit accounts in Village 4 (Mandinka) and Village 6 (Saraholé) (43.8 and 45.7 percent). Nine month term deposits were favored in Village 3 (Fula) and Village 5 (Saraholé) and accounted for 58.1 percent and 45.2 percent, respectively, of all accumulated deposit funds over this period. Overall all VISACA members from all six villages have a relative preference for the six months term deposit account which captured 33.8 percent of the accumulated deposit flow from 1988 until December 1991.

Another interesting pattern can be seen in Table 7 in the intertemporal bias for shorter or longer term deposit instruments. Village 1 and Village 2 are predominately short term VISACAs (i.e. the relative weight of current accounts and 3 month deposits is overwhelming in total deposits). On the other hand, the other four VISACAs are predominantly associations with a bias for longer term deposit instruments (6 or 9 month deposits). This particularly stands out for Village 3 and Village 5. One factor seems to lie behind this contrasting intertemporal preference for different deposit instruments. The first two VISACA villages mentioned above are not part of the Jahally-Pacharr Rice Project and therefore do not grow rice. The other four are. Savers cannot afford to lock themselves into relatively illiquid savings if they don't have alternative streams of income to service their liquidity needs throughout the year. In effect, the rice project creates this liquidity for the four longer term VISACAs. They can rely upon two irrigated rice harvests per year while the other two non-rice villages cannot. Being subject to much less certain income flows, they must protect their liquidity with shorter term deposit instruments.

B. Growth of Deposit Outstanding Balances

Another revealing perspective is the trend in deposit growth over time that can be seen through the change in the end of year outstanding balances for the four principal deposit instruments for all VISACAs combined since 1988 in Table 8. As of December 1991, a total of 188,006 dalasis was outstanding in 485 accounts resulting in an average balance of 388 dalasis per account. The growth was a little over three-fold for total outstanding deposits of all VISACAs in Table 8 for the two years from January 1st, 1989 through December 31st, 1991. Current account balances grow most rapidly (about 8 fold) followed by 6 month deposit balances (4 fold) with the longest term 9 month deposit instrument growing the slowest (2.4 times). As pointed out earlier in the cumulative data, the 6 month deposit account was uniformly the most popular savings instrument from 1989 to 1991, accounting for 43 percent of total deposits in 1989, representing 58 percent in 1990 and 49 percent in 1991.

Of all VISACAs, Village 4 ranked first with the largest share of outstanding balances through time, capturing 38.4 percent of total outstanding balances for the four years combined (see Table 9 and Figure 3). Village 6 and Village 5 were second and third with 28.1 percent and 23.9 percent respectively. Village 1 had only 4 percent of all outstanding deposit balances summed up for four years, closely followed by Village 2 with 3.5 percent. Village 3 was last with only 2.1 percent (Table 9 & Figure 3). Again, the two non-rice project village VISACAs (Village 1 and Village 2) stand out as relatively less secure and less wealthy villages mobilizing a much smaller volume of savings deposits. At the same time, Village 3 is the only rice-village that also appears insecure in its deposit behavior perhaps because rice constitutes a rather minor part of the villages activity. It records the slowest growth in deposits of all villages, has the smallest participation by women and the highest number of kafos. It is also the village most involved in cattle raising activity (a classic male occupation). Among other things, this suggests that an agricultural base to village life leads to more regular income flows and savings than one based on livestock herding.

It is still too early to draw any definite conclusions about the seasonality of deposits in the VISACAs because no definite pattern is evident in the data. However, the economic environment in the Sapu area and the VISACA villages is a useful barometer to make a few predictions. In all villages, deposits should be expected between February and May when groundnuts are sold. In the months after the groundnut season, commonly called the trade season (June to January), little money would be collected in VISACA villages where irrigated rice is not grown. The only remaining source of income for villagers would, therefore, come from secondary off-farm activities like trade and handicrafts. On the other hand, villages actively engaged in the Jahally-Pacharr irrigated rice project (Village 3, and especially Village 4, Village 5 and Village 6) and enjoying two harvests of rice a year would be able to maintain a less seasonal pattern of deposits throughout the year. In general, for these villages, deposits would increase again by August and September as the dry season rice harvest is sold.

2. Loan Disbursement in the VISACAs

A. Credit Flows Through Time and Term Matching Practices

Most VISACA members list loans as the primary reason for joining the association. Lending is an important part of the VISACAs' operation and access to loans is valued highly. Despite what some may think of as high interest rates (40 and 60 percent), the VISACA loan rates compare favorably to village money lender rates that can reach 140 percent. The confidentiality involved in individual loan disbursement is another feature members like about the VISACA.

Since the VISACAs began granting loans in 1989, a total of 366,709 dalasis (45,838.6 dollars) have been issued cumulatively to 1266 members as of December 1991 resulting in an average loan size of 290 dalasis or about 36 U.S. dollars equivalent (see Table 10, columns 8 and 12). The average loan term for all loans issued during this period has been 156 days (five months) which, not surprisingly, is approximately one month less than the preferred deposit term length. As a general policy, all VISACAs try to match the term structure of a given volume of loans with that of a comparable volume of deposits so as to be able to service withdrawals. Moreover, to instigate the savings habits of their membership, some VISACAs now require a one-time deposit for members to be eligible for future loans. The proportion of people who receive a loan is still very much dependent on membership involvement through savings accounts activities that comprises the loan pool. Consequently, 48.3 percent of the members were issued 630 loans in 1991, very much in line with a total participation of 47.4 percent of the members holding the 619 existing savings accounts at the same time.

The term matching feature so characteristic of VISACAs deserves more comment. Any financial institution must be prepared to engage in responsible liquidity or cash flow management. Loan repayments must be scheduled in such a way as to facilitate deposit withdrawals. Moreover, this must be programmed so that possible delays in repayments do not lead to a liquidity crunch (i.e. an inability to service regularly scheduled deposit withdrawals or renewals). The VISACAs protect themselves from this risk through two mechanisms: the high interest rate margins pointed out earlier and the staggered scheduling of loan terms for a period shorter than the deposit instrument supporting this lending. The twenty point margin between deposit and loan rates generates substantial net interest earnings to contribute to the funds needed to cover deposit withdrawals in the face of late loan repayments. At the same time, a given volume of three month deposits are drawn upon to support a comparable volume of loans but staggered or shortened to two months or less in term, six month deposits support loans at five month terms or less, etc. In this way, VISACAs are able to meet obligated term deposit withdrawals when they mature except in the case of extreme loan delinquency, a rare event in most VISACAs.

B. The External Funding Issue

The VISACAs were able to mobilize 304,098 dalasis from their savings accounts (excluding current accounts which are not used for loans) while, as pointed out above, 366,709 dalasis were

issued cumulatively to members as loans. The shortfall in funding was obtained through external funds in June 1991. External donors lent to the VISACAs' management at 11 percent annual interest rate for nine months. The management in turn lent to two VISACA villages at the same 11 percent interest rate for the same nine months maturity (without revealing the source of the fund). Each village then lent to its respective members at 40 and 60 percent annual interest rates for eight months. Borrowers thus paid an effective 27 and 40 percent interest on their eight months loans. For the first experiment with donor funds, the margin for VISACAs was 18.4 percent [(40% x 8/12)-(11% x 9/12)] and 31.75 percent [(60% x 8/12)-(11% x 9/12)] respectively. In fact, Village 5 has seen a dramatic increase in the number of loans granted from 101 loans in 1990 to 234 loans in 1991, after receiving this injection of outside money. Village 4 also received some of this money. This volume of outside money was placed in nine month deposits with loans going out for eight months terms, thereby lengthening the term maturity (term transformation) beyond the more common five month term supported by locally mobilized deposits. Among other things, this increases the probability that more loans could be issued for agricultural operations that have longer gestation periods than the short-term trading activities typically supported by VISACA deposits. In practice, however, many of these long term loans were paid off early following the harvests of groundnuts and rice in December and January. It would appear they were used to smooth consumption expenditures over the period June-December and then paid off with harvest proceeds.

This external funding of loan activity raises some important questions. Outside funds can make a contribution to VISACAs through allowing them an opportunity to expand their loan activity beyond the level of their deposit resources. At the same time, it allows lending for longer term loans, thereby opening up the possibility of incorporating more agricultural loans in the portfolio that heretofore had been dominated more by trading loans. Because these loans were granted at a time when people were in need of seeds and fertilizer for their upland fields (end of May 1991), it is not unlikely that these loans directly supported agricultural undertakings. They also probably played the equally valuable role of smoothing the cash flows for consumption over this period. In any event, the fungible nature of financial inflows and outflows make it difficult to identify the probable use of funds. No doubt they were used for a variety of purposes. More important for our discussion is that this external funding can also introduce a donor virus into a healthy local savings and loan effort. The careful loan evaluation and loan recovery practices can quickly collapse into a "take the money and run" psychology since it is not the villagers own money (or the savings of their neighbors). In short, borrowers would not encounter any severe sanction in not repaying externally financed loans.

The VISACAs, fortunately, have carefully and laboriously established their indigenous village-based and village-run identity based on village savings. Hence loan recovery (as we shall see shortly) has been reasonable. The gradual introduction of some outside funding could possibly allow these associations to expand their loan activities and engage in some term transformation as long as the relative share of outside money remains a distinctly minor share of total funding and is not associated with any earmarked or targeted loan scheme. Targeting merely signals borrowers that the money comes from outside resources and, not surprisingly, it is precisely this part of the association's loan portfolio that would then not be repaid. Currently outside money has reached

almost 10 percent (9.86 percent) of total funding. Fortunately, all these loans were repaid by March 1992, indicating that the experiment worked successfully this one time. Nevertheless, it would be risky to increase this outside funding much beyond the 20 percent range without placing at risk the VISACAs' incentive structure for repayment and saturating the market for secure lending opportunities in these villages.

C. Loan Practices and Characteristics of the Loan Portfolio

Loans are granted on a first-come, first-served basis according to available funds. The VISACA loan committee makes the final decision on loan approval and the amount approved. Collateral, often in the form of livestock or farm implements and gold jewelry for women, is required to secure a loan. Moreover, field interviews suggest that this collateral is linked to a sufficiently credible local enforcement milieu within the village to ensure good loan repayment. Most loan applicants indicate trading as the purpose of their request although loans are issued for a wide variety of other purposes. The VISACAs do not engage in loan targeting. They quickly realized that money is fungible and consumption credit is just as productive as any other loan. Indeed, the availability of consumption loans can smooth out consumption flows throughout the year, thereby releasing personal savings to be used for investment purposes rather than consumption. In brief, the availability of consumption loans can be a form of insurance that guarantees consumption levels, thereby leading indirectly to an increase in investment through the borrowers savings.

In the year 1991 alone, 630 loans were granted to 48.3 percent of the total membership of the six VISACAs. Loan sizes in the VISACAs range from a low ten dalasis to a maximum of 3,000 dalasis and loan duration never exceeds a year. According to a CIDR report in 1990, most loans went out for trade purposes as 56 to 97 percent of VISACA loans were given out to shopkeepers, for petty trade, sale of coarse grain, and cattle trading (CIDR, 1990). The high share of loans for trading activity and fewer loans for farming was explained by the presence of other NGOs in the area (Action Aid) and the Jahally-Pacharr Project that specialized in granting fertilizer and farm equipment loans at very low interest rates. Given the relatively short term loans in the VISACAs (more commonly three to six months), most loans would not be expected to support agricultural production that has a longer seasonal gestation. Many loans are used to finance village trading activity in which the inventory turnover of goods is consistent with the shorter term structure and where trade margins can support the higher interest rate than those commonly associated with agriculture.

Women account for 52 percent of total VISACA membership and are equally well represented in the loan portfolio. VISACA female members received 659 loans as of December 1991 which accounted for 52 percent of the 1266 total loans cumulatively granted to all members from the inception of the VISACAs (Table 11). Loans requested by women are mainly for petty trade and handicrafts, according to the same 1990 CIDR report, and based on some information from one of the VISACAs' files. For three consecutive years from 1989 onwards, more than 50 percent

of all loans were issued to women while, on average, 40 percent of the total female membership of the VISACAs has been able to secure a VISACA loan.[2]

IV. LOAN RECOVERY PERFORMANCE

Table 12 documents loan disbursement and loan recovery for the VISACAs for all 954 loans issued and due for repayment from January 1st 1989 through December 31st 1991. All due dates for repayment fell within this three year period. Five VISACAs had complete information on loan disbursements and loan recovery. Since Village 2 began operations only in 1991, none of its 29 loans issued in 1991 fell due during this year. One VISACA, Village 3, issued 50 loans during this two year period, however, the research team was unable to secure any information on the loan repayment status of these loans.

Therefore, based on the information on the four VISACAs that had a documented history of loan disbursements and loan recovery from January 1989 through December 31st 1991, the overall repayment rate was an outstanding 94.4 percent by number of loans and 94.7 percent by the volume of loans (Table 12, column 8). The best performing VISACAs were Village 6 and Village 1 with a remarkable 97 percent loan recovery rate over this three year period. The lowest repayment was recorded by Village 5 at 90 and 92 percent a still very fine performance. For the VISACAs as a whole, some delay in loan repayment is a very common phenomenon, as Senegalese purchasers have taken 4 to 6 months to pay Gambian farmers for their groundnuts. This suggests that VISACAs may well be playing an interesting insurance role by allowing these groundnut producers and traders, along with other borrowers, more flexible loan terms to repay their loans somewhat later than scheduled.

Table 13 highlights this issue in detail through documentation of the time profile of loan repayments for all 906 loans in the four VISACAs discussed above. Overall roughly 37 percent of all loans due were repaid promptly or in advance whereas 36 percent of the loans were repaid one month late, approximately 16 percent between one and three months late, and 4.3 percent more than three months late (panel B, column 7). It is interesting to note that a significant part of all loans (30 percent) were repaid early. As mentioned earlier, no repayment information was available on the Village 3 VISACA which has had a sluggish operation for some time now, recording the lowest share of village membership and the slowest growth of all VISACAs, while more investigation of this VISACA is called for, oral evidence in field interviews suggest that most all loans have been repaid.

In summary, the VISACAs, record outstanding repayment records over this three year period. No other formal or NGO financial intermediary in The Gambia can match this performance with the

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[2] It is important to point out that kafos have become less important in VISACA loan activity. Kafos very rarely apply for loans, but they participated in an important way in the savings effort, particularly at the beginning of the VISACAs. Individual kafo members are now more commonly applying for individual loans to satisfy their needs.

possible exception of the BICI and SCBG, but no data on loan recovery or arrears are publicly available for these private banks, hence comparisons are not possible. Furthermore, judged on the risks inherent in the VISACAs portfolio with an overwhelming low income rural constituency, the above performance stands out as a remarkable achievement.

To place this in a relevant context, the credit union movements in Togo and the Cameroon are frequently pointed to as the outstanding success stories for non-bank financial intermediaries in Sub-Saharan Africa. Yet, the Togo movement in 1986 after 20 years of history and donor support still registered 18 percent of its loan balances as more than one year overdue. (Cuevas, 1989).

Another pertinent performance indicator is the rate of return of the VISACA loan portfolio. This was estimated for the VISACAs for the calendar year 1991 (see Table 14). Overall the five VISACAs register a 26 percent weighted average annual rate of return, a promising result reflecting the solvency of the movement during this period. Village 3 registers the highest annual rate of return (40 percent). This grows out of its higher average annual interest rate (60 percent) vis-a-vis the other VISACAs in the table and the fact that a larger majority of its loan portfolio was issued for a longer term (8 months or more) leading to a higher average annualized interest rate compared to other VISACAs (where 5 to 6 month term loans were more common).

A final indicator of the remarkable performance of the VISACAs is its loan deposit ratio of 100 percent, i.e. the term matching practice of the VISACAs for loan and deposits, excluding demand deposits, means they operate with a one-to-one loan deposit ratio. This ratio is much higher than that characteristic of credit unions worldwide (50 to 60 percent) who hold much of their savings in deposit accounts in branches of banks rather than using them for loans. Similarly, this ratio is much higher than that of the private banks in The Gambia (33 percent) who allocate most of their deposit resources into T-bills or other non-loan assets. This high ratio for the VISACAs implies a "no reserve" policy for time deposits, a seemingly risky practice. However, since 100 percent reserves are held on demand deposits this compensates for no reserves held on time deposits.

V. LESSONS LEARNED AND CONCLUDING REMARKS

The single most important feature behind the VISACAs success is the local savings mobilization dimension that has nurtured and expanded the funding base from its inception in 1988 to the present. This feature quickly established the legitimacy of these young associations. It meant that villagers controlled their own association, guaranteed their autonomy in decision making and introduced a moral authority for responsible loan administration and loan recovery of their own funds. This locally mobilized resource base clearly created the environment for local village assemblies to meet and discuss such questions as the composition and responsibilities of the management committees and the establishment of interest rate policies and composition of savings instruments.

Six important operational features have come out of these discussions and have shaped the positive performance of the VISACAs since their inception. First, the depositors were paid positive real rates of interest on their savings and borrowers have paid positive rates on their loans. Moreover, the effective interest rate earned on deposits and paid for loans are higher than those earned and paid in the formal financial markets of The Gambia in Banjul. This is an important lesson underscoring the fact that rural borrowers in fact can and do pay 20 to 30 percent interest rates on 6 month loans (based on 40 to 60 percent annualized rates). On the savings side, depositors in the VISACAs earn substantially more on their savings than do depositors in formal banks. Six month deposits (the most commonly held deposit instrument) earn either 10 or 15 percent interest (based on annualized deposit rates of 40 to 60 percent). Banks at best pay 12 to 14 percent annualized interest on time deposits.

Second, loans are not targeted in the VISACAs. Since outside money played no initial role in the funding base for on-lending, villages had the autonomy to decide whether loans should be targeted in any way or remain untargeted with management committees servicing loan requests on a first come, first serve basis. They decided on the latter course of action with positive results in the end as a diversified loan portfolio contributed to good loan recovery.

Third, short term loans of six months or less have predominated in the VISACAs. Only a few loans beyond 9 months have been made. Among other things, this implies that trading activity, artisan activities and handicrafts, and other non-agricultural activities will necessarily have to play an important role in any village banking initiative. These activities generate value added in their own right, are more suited to shorter term finance and can cover the interest rate charges with their earnings. Nevertheless, some farming loans are made, especially to the rice irrigated farmers who benefit from a two harvest season. More importantly, farm families are involved in many of the off-farm and non-farm activities mentioned above and clearly benefit from VISACA loans. Forcing targeted loans into what are misleadingly called "productive" activities is a misplaced and counterproductive effort often undertaken by donors. It is refreshing to see the VISACAs have been unencumbered by this typical form of donor intervention.

Fourth, the VISACAs have managed their assets and liabilities intelligently by carefully matching the term structure of loans and deposits in a consistent fashion to meet liquidity demand. This is an extremely important lesson that should be followed by all village based savings and loan initiatives. These organizations must calibrate the cash flow derived from their loan repayment schedules to meet the term schedule of deposit withdrawals. Among other things, this implies that several deposit instruments should be made available so that several loan term maturities can be offered to meet loan demand consistent with these deposit term instruments. The VISACAs have shown that a safety cushion should also be programmed into this term matching exercise to cover for the fact that some loans may be repaid with delays. Hence, loan maturities are typically issued for slightly shorter terms (usually one month) than the deposit term obligation supporting them.

The fifth operational feature that comes out of the VISACA experience is the important role of collateral. Farm equipment and livestock were the typical forms of collateral pledged by

borrowers. Management committees take these pledges responsibly and will take possession of the collateral of seriously delinquent borrowers. The important lesson here is that the credibility of local enforcement of collateral obligations will only work when it is based on local savings (that are not being repaid) and when local officials support these actions as ethical and proper. It would appear that the threat of taking collateral is sufficiently credible in the VISACA villages to encourage responsible loan repayment behavior.

Last but not least of all the features is the self-management approach to the VISACAs. The successful experience here has proven once again that villagers can be and should be given more, if not full responsibilities to manage their own finances. Along with these six operational features are two important lessons from the donor program design for the VISACAs that merit discussion. First, the VISACA donors were only interested in setting up VISACAs where there was substantial non-agricultural activity (or conversely, an amply funded region-specific agricultural development project that generates substantial non-agricultural income streams). This grows out of a concern that a local village savings and loan effort could not hope to pay savers an attractive return on savings through interest earnings from loans primarily based on agricultural activity alone. The loans are too risky, the returns too problematical, and the term maturity too long to service 3 to 6 month deposit instruments that would be required to attract local savings. People in rural areas cannot afford to lock up their savings for 12 month periods, and certainly not for interest rates as low as the average rate of return to farming in these settings (adjusted for risk and default). This is an extremely important lesson for any NGO effort designed to issue loans through locally mobilized savings in rural Gambia.

The second important lesson of program design in the VISACA experience is to appreciate the logic of a two stage sequence of donor involvement in promoting local savings and credit associations. In the first stage, donor support was focused on promotion, technical assistance, and training, with a long term resident advisor working closely with the VISACAs. No external funding was provided for on-lending. The objective was to promote properly remunerated local savings deposits as the exclusive base for on-lending, thereby ensuring local identity and local control and autonomy in decision making, both of which are essential ingredients for promoting responsible loan recovery.

The second stage, some three to four years later, allows for some donor funding to be used for on-lending through the vehicle of 9 month or 1 year deposits. This expands the base for on-lending beyond the limits set by the local deposit base. More importantly, it extends term transformation into longer term loans than would be possible with locally based term deposits. The loan activity that grows out of this action is untargeted and therefore blends into the generalized practices used for other loans. Still, there is little likelihood that these longer term loans would move substantially into agriculture if borrowers have to pay 40 to 60 percent annualized interest charges (depending on the VISACA). It is unlikely that any agricultural activity earns that kind of return in The Gambia. An important caveat to this second stage is to limit the volume of outside funding for on-lending to no more than 15 to 20 percent of total lending sources. Otherwise, the image of local identity, local control and, most importantly, local savings could become jeopardized as a donor

virus contaminates the portfolio with an entitlement or dole psychology, and borrowers "take the money and run."

The next stage of the VISACA movement is the most challenging, namely, expanding the movement into a larger number of villages in several other regions of the country. This action could begin to create a network of VISACAs that, in effect, would generate scale, scope and spatial economies and possible linkages to the banking system. This would occur only if a second level regional federation would emerge that could play a role in intermediating between surplus and deficit units within the movement, become a lender of last resort, and a service center for auditing and other technical assistance. It may be premature to expect this to emerge in the immediate future. However, it is not an unreasonable long term objective as long as there are other regions in The Gambia that can generate the income streams for savings mobilization comparable to those generated by the Jahally-Pacharr project.

The current discussion about setting up a regional training center for NGOs to expand the VISACA experiment to other regions is opportune and potentially promising. It is time for NGOs to sit down and discuss the lessons learned from the VISACA experience. It is also opportune to identify the information needed to design and launch new VISACA initiatives. Finally, it is pertinent to spell out the type and magnitude of start up (non-loan) subsidies that are needed to launch viable long term village banks. In this regard, heavy expenditures on literacy, numeracy and bookkeeping training are required in large part because the Gambian government has failed to invest in basic schooling in the countryside.

The issue that surfaces at this point is whether an initiative of this scope and magnitude combined with other international donors would preempt the perceived role of TANGO currently envisioned in the rest of the NGO community in The Gambia. At the very least, it could represent a parallel effort emulating many of the roles and functions currently under discussion in TANGO. The contrasting operational philosophies between the VISACAs, on the one hand, and other NGO operators in The Gambia, on the other hand, perhaps have led to this separate independent stance. Nevertheless, it would be in the interest of TANGO officials to encourage the VISACAs from their current observer status, to advise the TANGO movement and play a decisive role in shaping TANGOs agenda. The VISACAs are the only entity in The Gambia that has created a viable, village based savings and credit movement. It would be wise for the TANGO to build on this experience and incorporate the VISACA group to play a meaningful role in designing TANGO's future.

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Table 1. **Individual and Group (Kafo) Membership on a Cumulative End of Year Basis by Visaca and Gender from 1988 to March 1992.**

	1988			
VISACA	MALE	FEMALE	KAFO	TOTAL
Village 1	0	0	0	0
Village 2	0	0	0	0
Village 3	22	1	17	40
Village 4	0	0	0	0
Village 5	0	0	0	0
Village 6	70	79	3	152
TOTAL	92	80	20	192

	1989			
VISACA	MALE	FEMALE	KAFO	TOTAL
Village 1	14	2	1	17
Village 2	0	0	0	0
Village 3	34	10	20	64
Village 4	34	48	1	83
Village 5	57	61	5	123
Village 6	81	129	5	215
TOTAL	220	250	32	502

	1990			
VISACA	MALE	FEMALE	KAFO	TOTAL
Village 1	37	31	3	71
Village 2	0	0	0	0
Village 3	39	12	21	72
Village 4	66	83	4	153
Village 5	133	132	5	270
Village 6	85	134	6	225
TOTAL	360	392	39	791

	1991			
VISACA	MALE	FEMALE	KAFO	TOTAL
Village 1	73	61	4	138
Village 2	68	82	8	158
Village 3	51	17	21	89
Village 4	106	102	8	216
Village 5	179	265	7	451
Village 6	97	149	7	253
TOTAL	574	676	55	1305

	1992			
VISACA	MALE	FEMALE	KAFO	TOTAL
Village 1	77	62	4	143
Village 2	95	106	9	210
Village 3	52	17	21	90
Village 4	112	106	8	226
Village 5	179	269	7	455
Village 6	97	156	7	260
TOTAL	612	716	56	1384

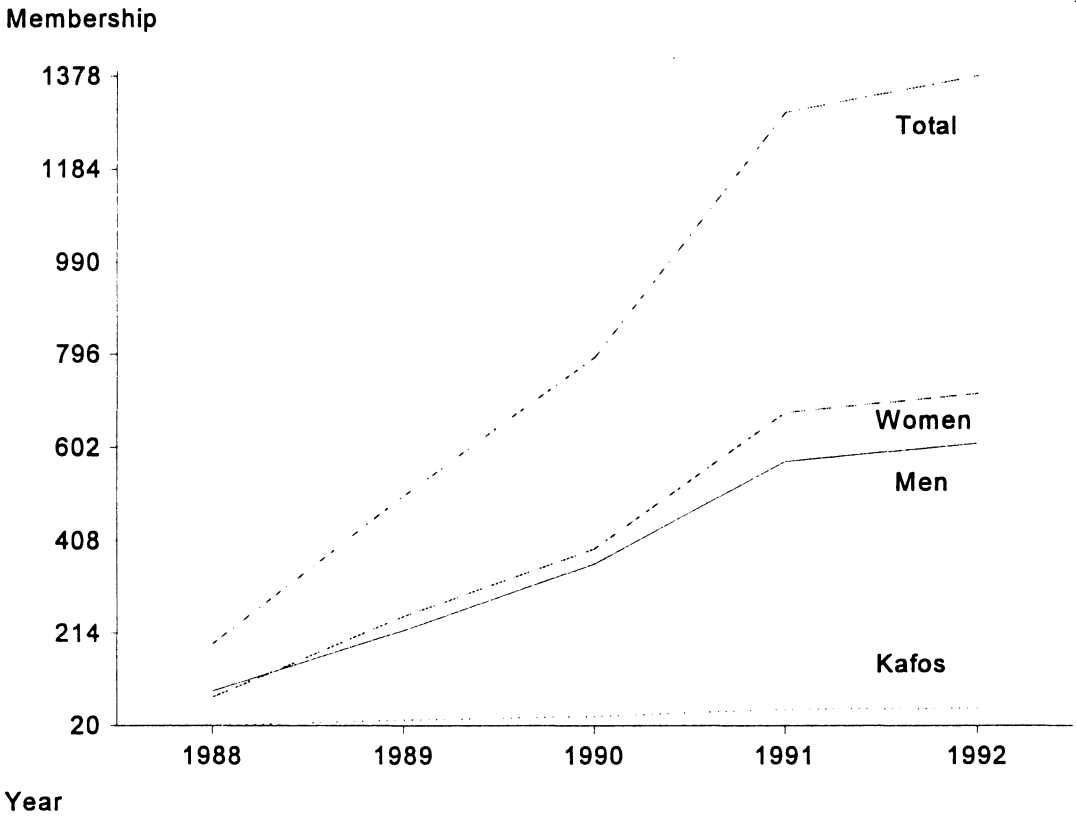
Source: VISACA files.

Table 2. **Annual Profile of End of Year Total Membership for all VISACAs from December 1988 to March 1992.**

	1988	1989	1990	1991	March 1992	Growth Multiple[1]
	(1)	(2)	(3)	(4)	(5)	(6)
Village 1	0	17	71	138	143	8.4
Village 2	0	0	0	158	210	-
Village 3	40	64	72	89	90	1.4
Village 4	0	83	153	216	226	2.7
Village 5	0	123	270	451	455	3.7
Village 6	152	215	225	253	260	1.2
Total	192	502	791	1305	1384	2.8
Percent Change	-	161.5	57.6	65.0	6.1	

Source: Table III-1.
Note 1: The growth multiple was calculated as the ratio of column 5/column 2.

Figure 1.
Individual and Group (Kafo) Membership Evolution
by Gender from 1988 to March 1992



Source: Table 1.

Table 3. Share of VISACA's Membership in Overall Village Population as of December 1991.

VISACA	Village Population	VISACA Membership	% VISACA Membership
	(1)	(2)	(3)
Village 1	491	138	28.1
Village 2	443	158	35.7
Village 3	547	89	16.4
Village 4	413	216	52.3
Village 5	1683	451	26.8
Village 6	897	253	28.2
Total	4056	1305	32.2

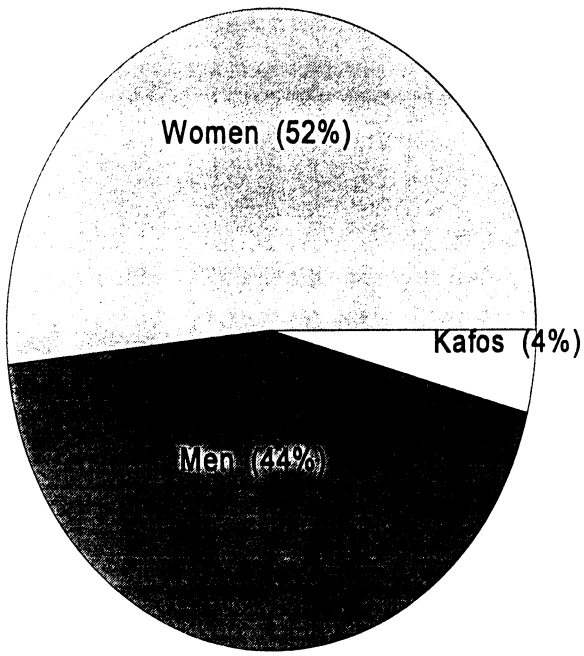
Source: Data on village population were obtained from a CIDR report.

Table 4. **Female Participation in the VISACAs' Cumulative Membership as of March 1992 and Growth Multiples for Male and Female Members from December 1989 to March 1992.**

VISACA	March 1992 Total Membership	March 1992 % Female	Growth Multiple[1] (March 1992/December 1989) Male	Female
	(1)	(2)	(3)	(4)
Village 1	143	43.4	5.5	31.0
Village 2	210	50.5	-	-
Village 3	90	18.9	1.5	1.7
Village 4	226	47.0	3.3	2.2
Village 5	455	59.1	3.1	4.4
Village 6	253	60.0	1.2	1.2
TOTAL	1384	51.7	2.8	2.9

Source: Table 1.
Note [1]: The growth multiples are the ratio of total membership as of March 1992 to membership as of December 1989.

Figure 2.
Relative Size of Membership by Gender in all VISACAs
as of March 1992



Source: Tables 1. and 3.

Table 5. Number of Deposit Accounts and Percent of Membership as Depositors for the Four Principal Deposit Accounts by VISACA, December 1991.

VISACA	Number of Accounts and Percent Membership Holding These Accounts							
	Current Account	% Membership	3 months Deposit Account[1]	% Membership	6 months Deposit Accounts[1]	% Membership	9 months Deposit Account[1]	% Membership
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Village 1	16	11.6	27	19.6	4	2.9	1	0.7
Village 2	15	9.5	17	10.8	6	3.2	0	0.0
Village 3	0	0.0	17	19.1	17	19.1	6	6.7
Village 4	23	10.6	45	20.8	145	67.1	28	13.0
Village 5	11	2.4	22	4.9	69	15.3	63	14.0
Village 6	14	5.5	65	25.7	65	25.7	22	8.7
TOTAL	79	6.1	193	14.8	306	23.4	120	9.2

Source: VISACA files.

Note 1: The interest rate paid on all deposits was 20 percent in 4 VISACAs and 40% in 2 VISACAs.

Table 6. **Volume of Deposits (in Dalasis) Accumulated Through Time from the Inception of Each VISACA to December 1991 in the Four Principal Deposit Accounts by VISACA.**

VISACA	Deposit Accounts[1]				
	Current Account	3 Month Deposit	6 Month Deposit	9 Month Deposit	Total Deposit
	(1)	(2)	(3)	(4)	(5)
Village 1	14,765	40,141	3,200	5,000	63,106
Village 2	4,312	5,335	2,700	0	12,347
Village 3	0	2,787	2,585	7,435	12,807
Village 4	29,048	17,360	48,338	15,625	110,371
Village 5	14,471	7,065	25,216	38,532	85,284
Village 6	32,999	19,913	52,921	9,945	115,778
TOTAL	95,595	92,601	134,960	76,537	399,693

Source: VISACA files.
Note 1: The annual interest rate on term deposits were 20% and 40% depending on the VISACA.

Table 7. **Relative Importance of the Volume of Deposits in the Four Principal Deposit Accounts Accumulated Through Time from the Inception of Each VISACA to December 1991 by VISACA.**

VISACA	Volume of Deposits (%)				
	Current Account	3 Month Deposit	6 Month Deposit	9 Month Deposit	Total
	(1)	(2)	(3)	(4)	(5)
Village 1	23.4	63.6	5.1	7.9	100.0
Village 2	34.9	43.2	21.9	0.0	100.0
Village 3	0.0	21.8	20.2	58.1	100.0
Village 4	26.3	15.7	43.8	14.2	100.0
Village 5	17.0	8.3	29.6	45.2	100.0
Village 6	28.5	17.2	45.7	8.6	100.0
TOTAL	23.9	23.2	33.8	19.1	100.0

Source: Table 6.

Table 8. Outstanding Balances for all VISACAs Combined by the Four Principal Deposit Accounts, from 1988 to 1991.

Year	Current Accounts			3 month term deposits			6 month term deposits		
	#	Amount	Average Balance[1]	#	Amount	Average Balance[1]	#	Amount	Average Balance[1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1988	0	0	0.0	4	5,780	1,445.0	0	0	0.0
1989	1	1,502	1,502.0	18	1,395	77.5	11	11,155	1,014.1
1990	18	2,040	113.3	38	12,345	324.9	102	40,774	399.7
1991	43	117,511	2,732.8	19	4,142	218.0	127	42,948	338.2
Total Balance	62	15,293	246.7	79	23,662	299.5	240	94,877	395.3
Growth Multiple[2]	43	7.8		1.1	3.0		11.5	3.9	

Year	9 month term deposits			Total		
	#	Amount	Average Balance[1]	#	Amount	Average Balance[1]
	(10)	(11)	(12)	(13)	(14)	(15)
1988	0	0	0.0	4	5,780	1,445.0
1989	15	11,720	781.3	45	25,772	572.7
1990	34	14,623	430.1	192	69,782	363.4
1991	55	27,831	506.0	244	86,672	355.2
Total Balance	104	54,174	520.9	485	188,006	387.6
Growth Multiple[2]	3.7	2.4		5.4	3.4	

Note 1: Average is obtained by dividing total volume by the number of accounts.
2: Growth multiple is obtained by dividing total balance in 1991 by total balance in 1989.

Table 9. Volume of Outstanding Deposit Balances for All Four Deposit Accounts by VISACA from 1988 to December 1991.

VISACA	1988 Outstanding Deposits	1989 Outstanding Deposits	1990 Outstanding Deposits	1991 Outstanding Deposits	Total Outstanding Deposits	% Total
	(1)	(2)	(3)	(4)	(5)	(6)
Village 1	0	0	1270	6291	7561	4.0
Village 2	0	0	0	6670	6670	3.5
Village 3	250	570	1180	1935	3935	2.1
Village 4	0	5920	30840	35415	72175	38.4
Village 5	0	10417	17786	16715	44918	23.9
Village 6	5530	8865	18706	19646	52747	28.1
Total	5780	25772	69782	86672	188006	100.0

Source: VISACA files.

Figure 3.
Share of Cumulative Outstanding Deposit Balances for 1988 through December 1991.

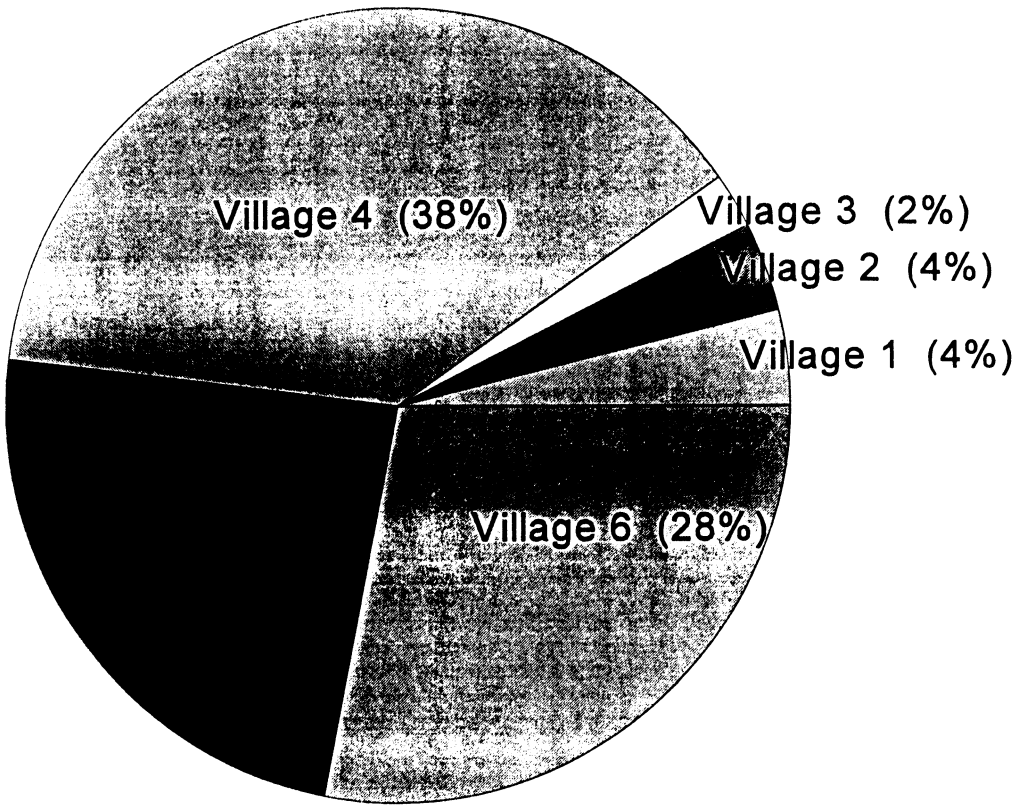


Table 10. Total Value of Loans Issued, Average Loan Size in Dalasis, and Term Maturity (in Days) by VISACA from 1989 to 1991.

VISACA	1989		1990		1991		Total	
	No. of Loans	Total Value	No. of Loans	Total Value	No. of Loans	Total Value	No. of Loans	Total Value
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Village 1[1]	0	0	33	18,540	87	25,986	120	44,526
Village 2[2]	-	-	-	0	29	2760	29	2,760
Village 3	11	2770	7	1400	32	8930	50	13,100
Village 4	62	4810	193	44,290	151	52,013	406	101,113
Village 5	52	9320	101	29,980	234	70,050	387	109,350
Village 6	84	21,545	93	30,405	97	43,910	274	95,860
Total	209	38,445	427	124,615	630	203,649	1,266	366,709

VISACA	Average Loan Size (in Dalasis)[3]				Average Term (in days)[4]			
	1989 Average Loan Size	1990 Average Loan Size	1991 Average Loan Size	Total Ave. Size	1989 Average Term	1990 Average Term	1991 Average Term	Total Ave. Term
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Village 1[1]	-	562	299	371	-	85	157	137
Village 2[2]	-	-	95	95	-	-	121	121
Village 3	252	200	279	262	87	139	195	163
Village 4	78	229	344	249	109	134	170	145
Village 5	179	297	299	283	167	152	207	187
Village 6	256	327	453	350	129	151	138	140
All VISACAs	184	292	323	290	131	138	176	156

Source: VISACA files.

Note 1: No loans were granted in 1989 in Village 1.

2: Village 2 was not yet in operation in 1989 and 1990.

3: Average loan size is obtained by dividing amount of loans issued by the number of loans issued.

4: Average term is obtained by dividing total number of days associated with all loans issued by the total number of loans issued.

Table 11. Selected Indicators of Women's Access to VISACA Loans from 1989 through 1991 by VISACA.

VISACA	Membership	Female Members	# of Loans Issued	% of members with loans	# of Females who received a loan	% of Female members who received a loan (col 5/col 2)	% of Loans that went to Women (col 5/col 3)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
				1991			
Village 1	138	61	87	63.0	39	63.9	44.8
Village 2	158	82	29	18.4	17	20.7	58.6
Village 3	89	17	32	36.0	14	82.4	43.8
Village 4	216	102	151	69.9	77	75.5	51.0
Village 5	451	265	234	51.9	125	47.2	53.4
Village 6	253	149	97	38.3	59	39.6	60.8
TOTAL	1305	676	630	48.3	331	49.0	52.5
				1990			
Village 1	71	31	33	46.5	14	45.2	42.4
Village 2	-	-	-	-	-	-	-
Village 3	72	12	7	9.7	1	8.3	14.3
Village 4	153	83	193	126.1	106	127.7	54.9
Village 5	270	132	101	37.4	47	35.6	46.5
Village 6	225	134	93	41.3	54	40.3	58.1
TOTAL	791	392	427	54.0	222	56.6	52.0
				1989			
Village 1	17	2	0	0.0	0	0	0.0
Village 2	-	-	-	-	-	-	-
Village 3	64	10	11	17.2	2	20.0	18.2
Village 4	83	48	62	74.7	34	70.8	54.8
Village 5	123	61	52	42.3	28	45.9	53.8
Village 6	215	129	84	39.1	42	32.6	50.0
TOTAL	502	250	209	41.6	106	42.4	50.7

Source: VISACA Files.

Table 12. **Documentation of Loan Recovery by Number of Loans and by Volume of Loans by VISACA for all Loans Issued from 1989 Onwards and Due for Repayment through December 1992.**

	Total Loans Issued as of December 1991		Total Loans Issued and Due by December 1991		Loans Due and Repaid by December 1991		Recovery Rate for Loans in %	
VISACA	No.	Amount	No.	Amount	No.	Amount	No.	Balances
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Village 1	120	44,526	72	37,470	70	36,340	97.2	97.0
Village 2	29	2,760	0	0	0	0	-	-
Village 3[1]	50	13,100	48	13,035	-	-	-	-
Village 4	406	101,113	324	72,398	307	67,388	94.8	93.1
Village 5	387	109,350	250	72,775	226	66,975	90.4	92.0
Village 6	274	95,860	260	88,295	252	85,945	96.9	97.3
Total	1,266	366,709	954	283,973	855	256,648	94.4	94.7

Source: VISACA files.
Note 1: No information was available on Village 3 loan repayment.

Table 13. **Basic Documentation of Time Profile of Loan Repayments in Terms of Number of Loans and Rates of Repayment for Total Number of Loans Issued and Due for Repayment from January 1st 1989 Through December 31st 1991 by VISACA.**

Indicator/Schedule	Village 1	Village 2	Village 3	Village 4	Village 5	Village 6	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
A. Number of Loans							
1. Loans due	72	0	-	324	250	260	906
2. Repaid on time	21	-	-	18	8	17	64
3. Repaid ahead of time	19	-	-	87	102	65	273
4. Repaid but less than a month late	25	-	-	132	67	103	327
5. Repaid but 1 to 3 months late	5	-	-	61	30	46	142
6. Repaid but more than 3 months late	0	-	-	9	10	20	39
7. Undetermined length[1]	0	-	-	0	9	1	10
B. Rates of Loan Repayment by Time Profile of Repayments							
1. Prompt recovery rate (%)[2]	29.2	-	-	5.6	3.2	6.5	7.1
2. Early recovery rate (%)[3]	26.4	-	-	26.9	40.8	25.0	30.1
3. Less than a month arrears rate (%)[4]	34.7	-	-	40.7	26.8	39.6	36.1
4. One to 3 months arrears rate (%)[4]	6.9	-	-	18.8	12.0	17.7	15.7
5. More than 3 months arrears rate (%)[4]	0.0	-	-	2.8	4.0	7.7	4.3
6. Undetermined length recovery rate	0.0	-	-	0.0	3.6	0.4	1.1
7. Total recovery rate (%)[5]	97.2			94.8	90.4	96.6	94.4

Note 1: Undetermined length refers to loans with no due date listed in VISACA files.

2: Prompt recovery rate was obtained by dividing the number of loans repaid on time in line 2, panel A, by the number of loans due in line 1, panel A.

3: Early recovery rate was obtained by dividing the number of loans repaid ahead of time (line 3, panel A) by the total loans due (line 1, panel A).

4: Recovery rates for less than one month in arrears, from one to three months in arrears, etc. is based on the number of loans finally repaid during these specified periods (lines 4, 5, and 6 in panel A) over the number of loans due (line 1).

5: Total recovery rate (line 7, panel B) is derived by adding up all the recovery rates estimated in lines 1-6, panel B.

Table 14. Annual Rate of Return for the VISACA Portfolio by VISACA for the Calendar Year 1991.

VISACA	Average Monthly Loan Balance (in Dalasis)	Average Monthly Interest Earnings[2] (in Dalasis)	Monthly Rate of Return[3]	Yearly Rate of Return[4]
	(1)	(2)	(3)	(4)
Village 1	8,038.0	149.1	1.9%	22.3%
Village 2[1]	-	-	-	-
Village 3	5,217.5	174.8	3.4%	40.8%
Village 4	29,273.8	632.3	2.2%	26.4%
Village 5	38,000.4	775.6	2.0%	24.5%
Village 6	19,665.8	450.3	2.3%	27.5%
All VISACAs	100,195.5	2,182.1	2.2%	26.4%

Source: VISACA files.

Note 1: None of the Village 2 loans were due in 1991.

2: Average monthly interest earnings is the sum of monthly interest payments divided by 12.

3: Monthly rate of return is column (2)/column (1).

4: Yearly rate of return is column (3)*12.